

Corey Cassin and Rah Bennett,
dairy workers at Wairarapa Moana,
the largest Miraka milk supplier

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MIRAKA

A MĀORI AGRIBUSINESS GLOBAL SUCCESS STORY

In March 2012, this journal featured an article on Miraka as a new independent dairy processor. This update looks at the continuing success of the venture six years on, in particular its efforts at becoming an environmentally sustainable and vertically-integrated company using best practice labour policies.



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Traditional values

Traditional values lay the foundations for modern innovation and future success at Māori-owned dairy-processing company Miraka. The company, which is relatively small but well-established in New Zealand's multi-billion dollar export dairy processing industry, has strong values founded on the cultural beliefs of its owners.

The Miraka vision is 'nurturing our world', aspiring to be recognised globally for best practice in sustainability and innovation, drawing both on its own experience and knowledge from external partners to achieve this. Its founding values – Excellence, Kaitiakitanga (guardianship/stewardship), Integrity, Tikanga (correct customs, values and practices) and Innovation – guide its business decisions, underpinning its relationships with people and with the natural environment.

A growing enterprise

Miraka takes its name from the Māori word for milk. First incorporated in 2010, and with its first day of production on 1 August 2011, it is now in its seventh season. The company is owned by a group of Māori trusts and incorporations, including Wairarapa Moana Incorporation, Tuaropaki Kaitiaki Limited, Waipapa 9 Trust, Hauhungaroa Partnership, Tauhara Moana Trust and Pouakani Trust. Its strategic partners and investors include Te Awahonou Forest Trust Limited, Vinamilk, a leading milk manufacturer

and dairy products enterprise in Vietnam, and Global Dairy Network, which brings experience and knowledge in dairy sales and marketing internationally.

Miraka has around 100 local farms within an 85 kilometre radius supplying its factory. The company believes this small supplier footprint creates farm-fresh advantage, resulting in higher quality products, while also allowing it to build strong and direct personal relationships with each supplier. Such is the importance with which personal relationships are viewed, new suppliers, new staff, or any subsidiary business becoming involved with the company are officially welcomed at the local marae.

Geothermal steam, worm castings and low emissions

The company's commitment to environmental sustainability has been evident from its beginning. Being located in Mokai, 30 kilometres northwest of Taupo, means Miraka can use renewable geothermal steam from the Mokai geothermal field to run its processing operations – a world first for the whole milk powder processing industry. A number of monitoring bores around the property ensure there is no impact on the water table.

Meanwhile, biological waste created during the drying process is composted at Tuaropaki Kaitiaki Limited's worm farm nearby. The worm castings, in turn, go to a local native plant nursery and these plants are used for riparian waterway planting.



The farm excellence programme gives farmers the potential to earn an extra 20 cents/kg/MS premium on top of the milk price by meeting 30 standards, 13 of which are mandatory.

These innovations reduce its emissions of greenhouse gases, which the company sees as critical to its role as Kaitiaki (guardians) of the natural environment. Meanwhile, its state-of-the-art manufacturing plant has the capability and capacity to turn more than 300 million litres of milk into powders and ultra heat treatment (UHT) products every year.

Protecting the environment, the natural world, is of paramount importance to the company's shareholders as it reflects their traditional values. They understand that they only hold the land in trust for their children's children's children. The company wants to ensure that future generations benefit from its work and that the footprint created today continues to nurture in harmony with the world.

For Miraka, this is an important point of difference for consumers globally who are increasingly looking to buy products with a low carbon footprint and are willing to pay a premium price for products from a sustainable source. The company exports its products to more than 23 countries across the US, Africa, the Middle East, Asia and Oceania.

Vertically-integrated business

The company's growth strategy was to build a strong base with commodity products, then work towards producing value-added items and high-end brands. From the start,

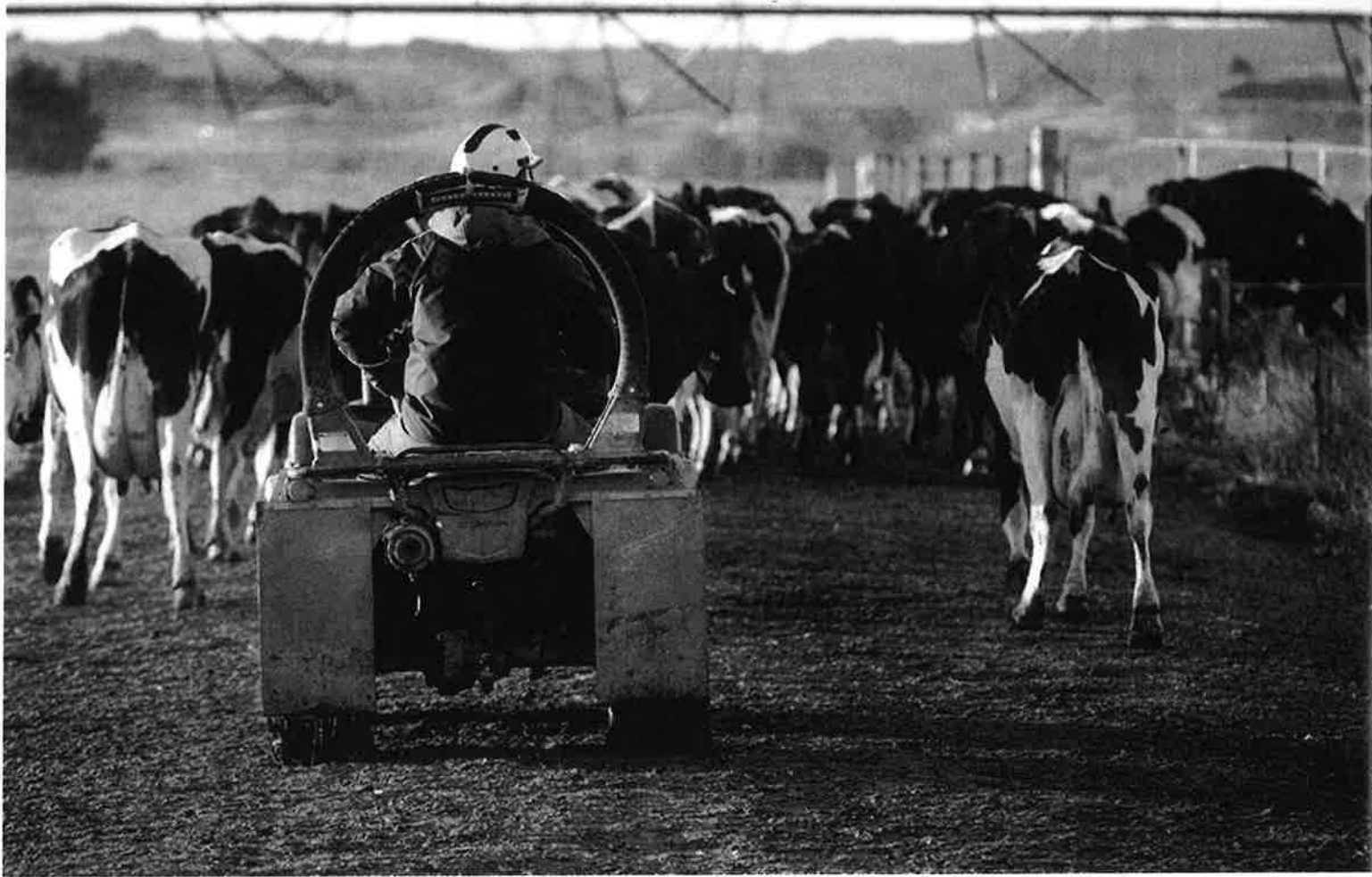
its shareholders were consulted and endorsed its plans to add value beyond the farm gate by creating a vertically-integrated business.

Five years ago, the company expanded its processing plant to include a UHT milk production plant now running at capacity to produce 60 million litres of this milk a year with two lines of 250 ml Tetra Pak cartons. Building on the success of whole milk powder and UHT, it has launched two new consumer brands (Whaiora and Taupo Pure) in the last 12 months.

Farm excellence programme – Te Ara Miraka

To ensure these values are in action from the 'cow to the consumer', the company has introduced a holistic and sophisticated farm excellence programme, Te Ara Miraka (The Miraka Way). This is a financially incentivised system for its farmers to increase their earnings by meeting a set of defined quality standards. The farm excellence programme gives farmers the potential to earn an extra 20 cents/kg/MS premium on top of the milk price by meeting 30 standards, 13 of which are mandatory.

The programme aims to improve efficiency in order to couple greater profitability for the company and its farmers, with improved sustainability and a lower environmental impact. Te Ara Miraka has also become the internal culture for the company, which is aiming for excellence across its supply chain.



The company advocates for a proactive approach to cow health through an annualised animal health plan created with a veterinarian. This avoids reactive and often hasty decisions and usually provides better control over a farm's animal health spend.

Five pillars (Pou) and ISO accreditation

The key drivers to Miraka farmers becoming world-class milk producers are resilience and production efficiency. The standards for Te Ara Miraka are founded on five Pou or pillars: People, Environment, Cows (Animal Care), Milk Quality and Prosperity. Each standard has a rating and farmers receive a score out of 100 at the end of the season, which is the percentage value they will get paid of the available premium.

The first step was to introduce the programme to their farmers and provide additional tools, resources and access to experts to help drive greater profitability, stronger communities, and improve stewardship of the land so they were not 'going it alone'.

Since the 2016 season, farms in Te Ara Miraka have been independently audited by a third party accredited under the Joint Accreditation System of Australia and New Zealand (JAS-ANZ) to International Standards ISO/IEC Guide 65, the international standard for ensuring competence in those organisations performing product certifications. There is a governance structure in place for farmers to appeal or review their scoring.

The programme is nearing the end of its second season of implementation and the company is pleased with farmer engagement into the initiative and the significant gains made on-farm. Te Ara Miraka will be an evolving journey. They believe that to remain relevant and challenge their farmers to achieve excellence every day, it will require a focus on innovation within the industry, strong communication and farmer support.

It is hoped that programmes such as Te Ara Miraka become the norm in time, to the benefit of the whole population. For them, it is more than just validating a social licence to operate, it is providing their supply community with recognition for living their values and striving for operational excellence every day. More detail about the five pillars (Pou) follows.

People: Nga tangata

Miraka encourages a proactive focus on staff growth and development through formalised training and mentoring, as well as a personalised approach to each staff member's needs and existing skills. The company also believes that unless this process is formally documented and owned

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by the employer, commitments are not always adhered to, even if the intention is there. This can result in trust being lost, initiating the breakdown in an employment relationship.

Te Ara Miraka provides support for farmers with the help of templates, and guidance on fair employment practices and developing strong relationships, as ways to attract staff and increase retention.

The company advocates the use of formal timesheets that are reviewed regularly by employers, to ensure labour laws are adhered to and that individual staff achieve a good work-life balance to both maintain productivity and reduce the incidence of on-farm accidents. Farmers are also required to create active health and safety policies for each farm, identifying farm-specific risks to personnel along with farm policies to mitigate them, thereby reducing the risk and stress in their role as employers.

As with the other Pou, the 'People' pillar looks beyond the farm gate, recognising that farmers and their staff are a vital part of their local communities and that investment in these communities benefits everyone. The rationale is that regions with strong, supportive communities will help to attract and retain high quality staff and ensure their families settle, which in turn enhances productivity.

Environment: Te Taiao

As noted, Miraka has been serious about its role as Kaitiaki of the land and the environment since its beginning, believing it is fundamental to the sustainability of continued milk supply and the prosperity of its farmers, their future generations and therefore of the company itself.

Water is recognised as a key element within the physical farming environment, with water quality an essential for life, particularly the biodiversity of waterways and soils. It is also important to local communities for recreation needs, tourism and other supportive businesses.

The company has identified that the important issues facing water quality currently are the negative impacts on waterway turbidity, pH, *E. coli*, chlorophyll (nutrient levels), heavy metals, dissolved oxygen and temperature. The criteria within this Pou focus on the most critical elements influenced by farmers, namely, nutrient run-off and leaching, sediment run-off, *E. coli* and toxin pollution. Soil structure is also critical to the ongoing performance of pasture production and is therefore a key driver of cost-efficient feed production. Mitigation of the negative effects of stock pressure on soil quality is also considered.

The company also encourages all its supplier farmers to be proactive in the management of their farm environment in order to minimise any negative footprint. To this end, it provides a guiding document for this via an environment management plan, detailing all identified risks, on-farm policies to avoid these risks, and actions to mitigate milk production impacts. Again, Miraka supports farmers in need of guidance towards best practice through access to industry experts and templates.

Cows: Nga kau

Not surprisingly, animal welfare is a significant concern for not only the company but also for its customers across the globe, and is strongly aligned to its values of Integrity and Kaitiakitanga. As well as obvious cow welfare expectations, the company encourages its farmers to appreciate the link between cow stress and productivity.

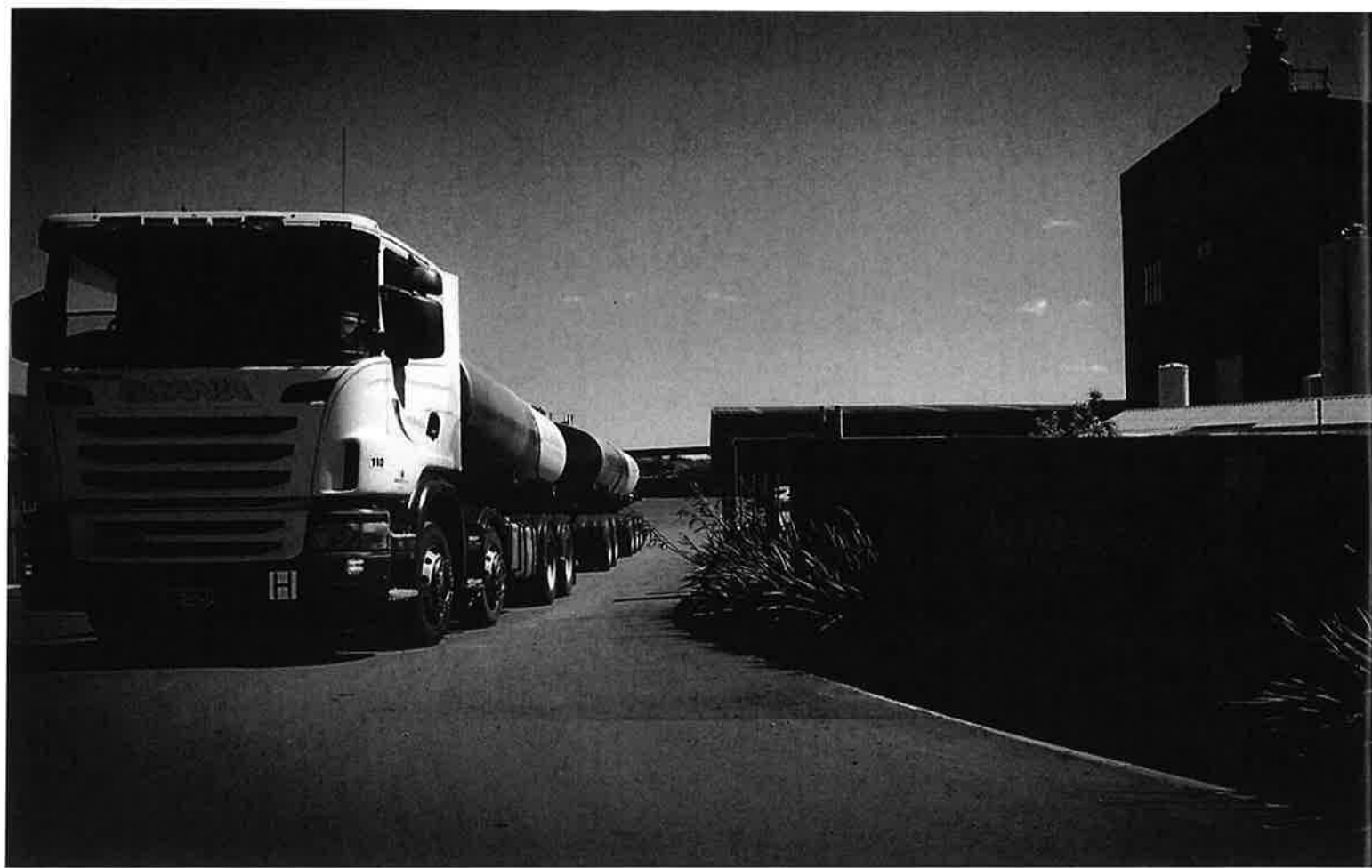
The programme aims to see cows flourish within optimum farm conditions. First, farmers are expected to consistently care for their cows within the five freedoms. Other best practice standards are based on the expectations of its environment and health conscious target consumer groups, such as no growth hormones, antibiotic use by prescription only, and grade-free milk quality that directly relate to the health and welfare of the cows.

The company advocates for a proactive approach to cow health through an annualised animal health plan created with a veterinarian. This avoids reactive and often hasty decisions and usually provides better control over a farm's animal health spend.

The company also views as important the need to monitor the performance of individual cows to drive feed conversion efficiency, and ultimately profitability, because it believes in a competitive environment in which to drive efficiencies. This extends to each herd, as each mouth competes for the same blade of grass.

Creating an ideal environment for cows to produce milk solids involves proactive management of nutrition, grazing, reproduction and the minimisation of climate extremes. To achieve an optimum industry-recognised six-week in-calf rate, a farmer must optimise all of the above throughout the year.

An optimal mean calving date means an extended mean lactation length across the herd and greater days in milk. Once again, the company supports its supplier farmers' needs to drive performance in this area in conjunction with industry partners. Overall, we are encouraging a



proactive focus on creating the optimum environment – physically, nutritionally and socially – for cows to perform at their best within each farm environment.

Milk: Miraka

Meeting the quality assurance demanded by its customers is fundamental to the success of the company and its growth strategy, which is based on high quality and the safest possible source of nutrition to its consumers. Te Ara Miraka helps the company market its products globally by ensuring that the messages it puts in the market are based on reality.

The future of the company as a leading processor of dairy is dependent on its ability to ensure the safety and quality of its products. The farm excellence programme aims to both financially incentivise and support supplier behaviour that will result in optimum raw milk quality by banding its purchase price for raw milk based on the quality.

Prosperity: Taurikura

Increased prosperity for its farmers from implementing Te Ara Miraka has been an overriding motivation behind the initiative. Profitable supply farms that prosper and grow themselves are fundamental to the success and profitability of Miraka as a company.

The company also recognises the importance of the local community in which it operates, and its desire to see that community thrive and grow by providing employment opportunities and support for dairy farming. It also encourages its farmers to monitor and proactively manage

their costs, cash flow and equity in relation to past and forecast production to retain better control of the net outcome of their business.

The introduction of this programme provides the company with an opportunity to link with the unique vision and values of the organisation, and to position the Miraka brand as delivering on what it promises.

Te Ara Miraka therefore embodies the vision of nurturing our world and values that ensures sound environmental stewardship and best practice are achieved in animal welfare, people management, milk quality and the entire on-farm performance.

Supplier response to Te Ara Miraka

Most of the company's suppliers (as many as 99%) are now actively engaged in the farm excellence programme and are all striving to achieve standards of excellence. Feedback from suppliers indicates they welcome the opportunity to supply a company that shares their values, has an invested interest in all aspects of their business success, and is prepared to offer financial incentives to support the regulatory requirements being placed on dairy farmers.

They also recognise that Te Ara Miraka is about production efficiency on-farm and putting structures in place to mitigate their risks by maximising the quality and integrity of their products and insulating their revenue from the volatility of dairy commodity prices.

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